

# **Mortgage Broker Practices Act Rulemaking Panel Meeting Minutes**

March 30, 2006

Panel members present: Chuck Cross, Catherine Mele-Hetter, Jeff Berglund, Laura Kiel and Jeffrey Lorsch

Absent: Rich Bennion and Adam Stein

## **1. Welcome and Introductions:**

Chuck introduced the panel and other DFI staff present. He said this will be a panel work session. The meeting is open to the public, and public comment will be taken at the appropriate time.

## **2. Meeting Format and Protocols:**

Chuck reminded the audience to sign-in. Everyone from the sign-in sheet will be added to the Mortgage Broker interested parties list. DFI wants loan originators to be involved from the beginning of the rulemaking process.

Chuck reviewed the rules process handout. The handout is below with additional notes added in bold:

## **MORTGAGE BROKER PRACTICES ACT RULES PROCESS**

March 30, 2006

- Our Challenge
  - Rewrite the rules from the ground up in about four months.
  - Do not rely on the existing rules as a guideline.
  - Use the clear rules writing approach and make the questions understandable and meaningful.
  - Make all interested parties a part of the process:
    - Inclusion.
    - Notice.
    - Follow through.
    - Buy-in.
- Open Meetings Format
  - Panel will be the Mortgage Broker Commission, Chuck Cross and Catherine Mele-Hetter.

- Staff report at the beginning of each meeting will create foundation for meeting and panel/audience. Report will cover changes in latest version and a summary of comments received since last meeting.
  - Panel review and discussion will follow an agenda.
  - Comments will be taken from the public either by topic or at an assigned point, depending on need and flow.
  - Meeting will be recorded for podcasts and available within days at [www.dfi.wa.gov](http://www.dfi.wa.gov).
  - Notes will be taken and published as minutes available to all interested parties
- Sub-panel Meetings Format
  - Each Sub-panel will consist of a Commissioner and DFI staff. In addition there will be DFI Teams.
  - The Commissioner will be the conduit between the Sub-panel and the Panel and will control the big picture.
  - Each Sub-panel will have a DFI team leader for coordination.
- Schedule
  - Panel will meet roughly every two weeks and possibly more often towards the end. **Most meetings will be held at the Renton City Hall.**
  - Sub-panels or teams will meet between Panel meetings as often as is necessary.
  - Sub-panel work must be submitted to the Drafting Team at least four days prior to the next Panel meeting.
  - Draft versions are to be published at least 2-3 days prior to the next Panel meeting. **Audience members should bring their own copies. DFI will provide panel members with a copy.**
  - If there is insufficient time to include work into a draft version the item or issue will be rolled forward to the next period.
- Public Comment
  - Public comment will be accepted in written format and brought to the next Panel meeting.
  - Public comment may be made in person during the open comment period at the Panel meeting.
  - Written comments will be read during the open comment period.
  - **DFI prefers that comments be submitted in writing; electronically is best.**
- Notices and Communication
  - Primary communication will be conducted through website updates.
  - Schedule of meetings will be posted on the web.
  - Draft versions and important issues posted on the web.
  - Podcast of last meeting posted on the web.
- Draft Versions
  - Version numbering will be consistent and follow: MBWACv20060330.doc.
  - Repeal all of existing WAC and start anew.
  - Statutory support cited for each section of WAC.

- Changes since last version will be highlighted in yellow for easy identification.
- Comments and notes to versions will be made in [brackets] and will include commenter initials and date: [CC032006: Possible conflict with section 110.].
- Version review and replacement will follow this example:
  - 4/13/06: Panel reviews MBWACv20060410.doc. Discussion and comment.
  - 4/14/06 – 4/20/06: Sub-panel work, research and submission to Drafting Team.
  - 4/24/06: Drafting Team publishes MBWACv20060424.doc.
  - 4/27/06: Panel reviews MBWACv20060424.doc and pattern is repeated.
  - **For clarification:**  
**RCWs = law = statute**  
**WACs = rules**
- Roles
  - Panel: Mortgage Broker Commission, Catherine Mele-Hetter and Chuck Cross.
  - Teams and Sub-panels:
    - Drafting Team: Catherine Mele-Hetter, Deb Bortner, Cindy Fazio with support from Jeannette Terry and Beth Craig.
    - Administrative Team: Jeannette and Beth.
    - Communications Team: Jeannette, Beth, Deb Bortner, Martha Dickens, Jeremy Lushene.
    - Licensing Sub-panel: Commissioner, Whittier Johnson-DFI lead, Kae McDonnell, Ann Campbell.
    - Examinations Sub-panel: Commissioner, Kwadwo Boateng-DFI lead, Levi Clemmens, Rick St. Onge.
    - Enforcement Sub-panel: Commissioner, James Brusselback-DFI lead, Steve Sherman.
    - Misc. Sub-panel: Commissioner, Deb Bortner-DFI lead, Catherine Mele-Hetter and Chuck Cross.

**The Commissioners chose sub-panels to serve on:**

**Licensing Sub-panel – Jeffrey Lorsch and Adam Stein**

**Examinations Sub-panel – Jeff Berglund**

**Enforcement Sub-panel – Laura Kiel**

**Misc. Sub-panel – Rich Bennion and Laura Kiel**

- Important Dates
  - 8/23/06: Final rules draft must be submitted to Code Reviser.
  - 10/24/06: Public hearing on final rules draft.
  - November 2006: Tentative implementation of rules.
- Small Business Economic Impact Statement (**SBEIS**)
  - The Department needs to know how the proposed rules will impact your business. During the rule making process we will survey all licensees and produce a report related to this important issue.

- **Whittier Johnson is in charge of the SBEIS. He will survey licensees and possibly interested parties prior to August 23, 2006.**
- Information and Notices
  - [http://www.dfi.wa.gov/cs/mortgage\\_rulemaking.htm](http://www.dfi.wa.gov/cs/mortgage_rulemaking.htm) : This is where you will find all you need to know . . .
    - Get schedule and meeting location information.
    - Listen to the audio of prior meetings.
    - View the latest rules drafts with highlighted changes in yellow for easy reference.
    - Make comments for the record and suggest ideas as often as you like.
    - Learn about important upcoming discussion items.
    - Become an Interested Party by adding your name to the list.
- Future Meeting Dates
  - April 13, from 2-4:30 p.m., Renton City Hall
  - April 27, from 2-4:30 p.m., Renton City Hall
  - May 10, time and location to be announced (in conjunction with Commission Meeting)

### **Clear Rules Writing – What it is – how it works – Deb Bortner, DFI**

The old rules were identified by topic. In March 2005, Governor Gregoire distributed the Plain Talk Executive Order. Rules are now to be written in clear, concise, and easy to understand language. They should be simply stated. The reader should be able to understand the rule by reading it once. Deb just wrote rules for the Consumer Loan Act using this method. Below are examples of questions in the new clear rules writing format with an answer to follow:

What do I do to get licensed? Answer . . .

Do I need a license? Answer . . .

How do I apply for a license? Answer . . .

### **3. Mortgage Broker Practices Act Review:**

Chuck reviewed the highlighted version of the RCW as it was projected on the TV screens. This document is compiled of existing language combined with new language from House Bill 2340.

- Yellow highlights are changed language.
- Pink highlights are unchanged language.
- Blue highlights are areas that need reviewed or changed.
- Chuck's comments are in brackets in the blue highlights.
- New language in underlined.
- Deleted language is ~~struck through~~.

Chuck asked the Panel to identify any other areas that need changes as we review the document.

**Page 1** - Section 1. RCW 19.146.005 – The only change is adding loan originators.

**Page 2** - Section 2. RCW 19.146.010 – “Controls” needs to be defined.

(2) – Will import Regulation X definition into rules.

(6) – Designated broker changed significantly. Need to work on definition. [CC032806: Rules should detail what it means to be designated and how designation occurs.]

Laura Kiel asked Chuck to explain the importance of the designated broker definition.

Chuck said over the past few years, some licensees have had a designated broker only to obtain their license. They did not have a designated broker on staff all the time. It used to say you needed a designated broker to get a license. We will clarify the role of a designated broker.

(8) – “Employee” changed somewhat.

**Page 3** - (9) – “Independent Contractor” definition did not change. We should be aggressive about what an independent contractor is. [CC032806: Tests are set forth by IRS that can be imported to the rules.]

(9) – “Investigation” was deleted.

(10) – “Loan originator” changed substantially. We need to define “offers or negotiates,” “holds themselves out,” and “processing.” [CC032806: Various words and phrases in this section should be defined for consistent understanding.]

(11) – “Lock-in agreement” might be an antiquated definition. Need to clarify what “an agreement” is. [CC032806: Confusion exists over agreements between broker and borrower and broker and lender that need clarification. Further, we should clarify how locks work in today’s market.]

**Page 4** - (12) – “Mortgage Broker” definition didn’t change. We need to define “makes” a residential mortgage loan and “assists.” [CC032806: Rules should define “makes” (e.g. table funding) and “assist”. Also define “Licensee” and set “mortgage broker” apart as the “company” licensee.]

(14) – “Principal” is new language. Need to define “controls.”

(15) – “Residential mortgage loan” – Which transactions are covered under the Act? Vacation home? Non-occupied property? [CC032806: When will non-owner occupied and second homes be included? DFI has a long-standing working concept that should be considered.]

Section 3. RCW 19.146.020 – Exemptions relevant to consumer loan licensees and mortgage bankers.

(1)(a)(ii) and (ii) are subject to director's "written approval."

**Page 5** – (2)(b) – [CC032806: This section must be consistent with the new CLA rules.]

(c) – Attorneys have always been exempt. What is "principally engaged?"

(e) – Clarify "acquiring" and "solely with his or her own funds for his or her own investment without intending to resell."

(f) – What is "customary?"

(g) – The language didn't change. Need interpretation from Fannie Mae and Freddie Mac.

(i) – "Form approved" by the director. That form was never developed.

**Page 7** – (4) – Applying for an exemption. Chuck doesn't think we've adopted rules, although we've had a process since 1993 or 1994.

(b) – "Binding written agreement" needs to be clarified.

(c) – Bonding for exemption - for mortgage companies that are a subsidiary of a bank holding company and has an affiliate that is a bank.

Section 4. RCW 19.146.0201 – Prohibitive practices.

(4) – What is "best efforts?"

(5) – Clarify "actually available." [CC032806: Concerns are frequently raised about the availability of advertised products. The rules should clarify how "actually available" will be interpreted.]

**Page 8** - (7) – Prohibits "bait and switch" practices. Define.

(9) – Appraisers would like to see some improvements. [CC032806: Appraisers are interested in seeing this section addressed thoroughly in the rules. Note that there is already a section that may be sufficient.]

(11) – Added all federal acts and regulations that apply to mortgage broker transactions.

**Page 9** – (12) – Prohibition on third party providers. Bring some of process into rules. [CC032806: The rules should provide better guidance to MBs and appraisers on this section.]

**Page 10** – (14)(c) – "Director determines" should be clarified.

Section 5. RCW 19.146.030 – Disclosures. [CC032806: Existing interpretive letters and positions should be rolled into rules.]

(1) – Identify parameters around the good faith estimate. Yield spread premiums – Didn't change in statute. Back in 1994, the statute said you don't need to disclose. However, it is still a requirement under RESPA. [CC032806: This last section needs clarification that we are talking about yield spread premiums and that RESPA still holds.]

(2)(a) – Hasn't changed in the statute. We need to deal with truth-in-lending in the rules. [CC032806: This section needs clarification as it has not been effectively enforced in the past.]

(2)(b) – Covers good faith estimate. It's time to clarify how mortgage brokers are supposed to do the good faith estimate. This would carry forward to the HUD 1. [CC032806: The rules should cover where MB fees should be shown and that MBs cannot charge discount points.]

(2)(c) – Lock form says in a “form acceptable to the director.”

(4) – Need to be defined by rule. We need to review the language to make sure it still works. [CC032806: Existing tests and triggers for this section should be brought into the rules.]

**Page 13** – Section 6. RCW 19.146.040 – Contract section. There is significant new language to this section.

(2) – Needs the most work. [CC032806: Rules should clarify that the referenced contract is between the LO and the borrower, not any possible contractual relationship.]

Section 7. RCW 19.146.050 – Trust accounting. The language did not change at all. We need to revisit the rules to make sure they still work.

**Page 14** - Section 8. RCW 19.146.060.

(2) - [CC032806: It is necessary to clarify what is meant by “available” and “relate” in this section.]

(3) – What is “usual” business location?

**Page 15** – Section 9. RCW 19.146.070. When fees can be charged and not charged means all payments of fees must pass through the company.

(2)(a) - [CC032806: Existing rule on this section may need updating.]

**Page 16** – Section 10. RCW 19.146.080. There is confusion about which documents need to be provided to borrowers. [CC032806: Significant area of confusion that could benefit from a rule.]

Section 12. RCW 19.146.110. The statute is inconsistent. [CC032806: Need to interpret that a mistake was made in not changing this section for the new Class B felony under .235.]

Section 13. RCW 19.146.200. [CC032806: Rules should clarify that this section does not allow LOs to bring suits against consumers for unpaid fees. Only licensed mortgage brokers may bring the suit.]

(3) – Clarify “prominently.”

(4) – It says the designated broker is “responsible for all activities.” Need to clarify.

**Page 18** – Section 14. RCW 19.146.205.

(1) – “Form prescribed” by the director.

Chuck explained that there is a national database being created by the Conference of State Bank Supervisors (CSBS) and the American Association of Residential Mortgage Regulators (AARMR). They began working on this database, as well as, a uniform application for all mortgage broker and loan originators about 1 ½ years ago. We expect to have the opportunity to join the national database by July 2007. Regulators, companies, loan originators, the public, etc. will have access to the new database.

(f) – New form. [CC032806: It may be appropriate to identify “the form prescribed by the director” as the CSBS/AARMR model form and national database.]

**Page 19** – (4)(a) – Surety bond. Alternatives such as certificates of deposit, irrevocable letters of credit, or other instruments will not be accepted after January 1, 2007. [CC032806: Rule should be written incorporating the established DFI Enforcement Unit bond claim procedures.]

**Page 21** – Section 15. RCW 19.146.210.

(1)(e) – Bill changed. A course of education no longer suffices for two years of experience. Loan originators don’t have an experience requirement; only a test requirement.

**Page 22** - (g) – “Found.” The intent is that the finding would be made by someone independent of DFI, such as a prosecutor. [CC032806: Rules need to clarify the term “found” and establish a period of time relevant to this section. An old “finding” should be at the discretion of the director.]



(6) – We will have the ability to issue interim licenses. For example, we may issue interim licenses to all existing companies by December 2006. We would issue all loan originators interim licenses by January 2007. These would have expiration dates of August 2007 in order to allow us time to join the national CSBS/AARMR database. All licensees will have to input their information in the national database. [CC032806: This section will be used to get all LOs legal by January 2007 and to allow us to merge with the national project.]

Section 16. RCW 19.146.215. The director shall “establish standards in rule” for continuing education. This section will be duplicated in the loan officer section. DFI may contract with independent associations to offer continuing education. DFI will monitor the associations, but would like to get out of the testing business. We would like to offer continuing education reciprocity with other states. [CC032806: This is one of the first undertakings for the Licensing Sub-panel. We are also interested in reciprocity between states.]

**Page 23** – Section 17. RCW 19.146.220.

**Page 24** - (3)(b) - [CC032806: It is necessary to clarify in the rules what “directive” means.]

(7) – “Standards” has been in there, but what does it mean? - [CC032806: Not quite sure what this section intends.]

**Page 25** – Section 19. RCW 19.146.223. Clarify “power and broad administrative discretion to administer and interpret.”

Section 20. RCW 19.146.225. Write rules to govern mortgage activity only.

**Page 26** – Section 22. RCW 19.146.228. Fees are not established yet for loan originators.

**Page 27** – Section 24. RCW 19.146.235. This is a huge amendment. It gives DFI the ability to examine companies and investigate companies and individuals. We are in the process of drafting an examination manual, which will be available to companies. The draft should be available to the Panel in coming months. It will be on the DFI website in PDF format once it is finalized.

**Page 30** - (8) – Requires rule to cover travel costs for out-of-state examinations.

Section 25. RCW 19.146.240. Bond claims. [CC032806: DFI bond claim procedures will be considered for this section of rules.]

**Page 31** – Section 26. RCW 19.146.245. Covers liability. No language changes. [CC032806: This section has caused confusion and could be addressed in rule.]

**Page 32** – Section 29. RCW 19.146.265. Branch licenses. “Good standing” needs to be defined.

**Page 33** – Section 30. RCW 19.146.280.

(2) - This adds “at least two of the commission members shall be licensed loan originators under this chapter.” Chuck said the director will most likely appoint people who have been active in mortgage activities and the mortgage community.

(3) – The commission may “establish a code of conduct for its members.”

**Page 34** – (6) – DFI will report to the legislature every other year. [CC032806: Need rules.]

Section 31. New section.

(1) – The director may by “rule create a schedule and format” for the annual report. We need to establish collection procedures for 2007 to be able to report in 2008.

Section 32. New section. We will repeat mortgage broker sections for loan originators. Chuck estimates the cost for a loan originator’s license will be \$100-125 per year. That would likely include a fee to take the test. Whittier Johnson, DFI, will do a Request for Qualifications (RFQ) to get companies such as Sylvan Centers to administer the loan originator test. DFI wants to remain independent from the test process. [CC032806: Discussions during bill drafting ranged from \$100 - \$125 per year. To be determined is fees for more than one license connection with one mortgage broker.]

**Page 37.** Section 34. New section. When the bill was drafted, there was a lot of discussion about whether or not a loan originator can work for more than one company. Should DFI issue a different license for each company they work for? The two companies need to know the loan originator is working for more than one company. [CC032806: Need to establish license format for relationship with multiple MBs. For example, would a LO hold two licenses, or one license and an endorsement from a second mortgage broker? Two licenses seems to make the most sense.]

Jeff Berglund asked if we could get comments from loan originators.

Section 35. New section. A loan originator can only take an application on behalf of one mortgage broker at a time. [CC032806: Rule needed.]

#### **4. Answers to commonly asked questions we have received so far:**

Handout. In order to save time, Chuck chose not to review the handout, but to give it to the audience as a reference. We will continue to add additional questions and answers to the list and post them on the DFI website.

## **Questions and comments from the audience:**

### **John Long – Three areas to consider:**

1. In order to make loan originators fees equitable, you could charge to get a license, and then charge a lesser fee to get additional certificates to work for other companies.

Laura Kiel responded about fees in regard to multiple licensing of one originator. She doesn't agree with the legislation on this item and personally will not be in favor making it easy.

2. .0201 – Origination of a loan where certain activities are prohibited. Write rules to continue to tie activities of mortgage broker and the loan originator to mortgage activities.

Chuck responded by telling John that the removal was intentional. It was modified to remove that connection of just loan transactions.

3. Supervisory authority – Distinguish between exercised authority or authority retained by definition such as an owner always has authority. What if they choose to delegate it? Are they still responsible?

### **John Wilde – suggestions:**

1. Comments could be submitted to a clerk ahead of time to sign up and get on speaking schedule.
2. He thanked the Commission for time and effort so far.
3. He wants to express gratitude for the examination manual.
4. Definition of independent contractor - People can be sued for using them incorrectly, as employees. The IRS definition is not the only one. L & I also has a definition. DFI could put source links on their website.
5. He thanked Laura Kiel for taking a stand on loan originators working for more than one company. It may be legal, but it is also a conflict of interest to work for more than one company.
6. Real estate agents or appraisers – You can type in their name and find their company name. He didn't hear anywhere that we will be able to do that for loan originators.

Chuck - That will be part of DFI's internal process, not rules. We plan to make that available.

7. The Mortgage Broker Commission meetings are used for continuing education. He thinks these rules meetings should also be considered for continuing education.

Chuck said the continuing education requirement is covered in rules, and we are just now writing rules.

8. When is the study data for the tests going to be available from instructors? This should be a top priority. We could copy some from the real estate industry and not reinvent the wheel.

**Gordon Schlicke –**

1. Gordon is concerned with the timing of the creation of the loan originator test. He is interested in helping loan originators study to pass the test the first time. That exam has to include the rules. If the final rules draft isn't done until October 24, how will you include rules questions? Everyone has to be testing by November and December. Gordon would like to volunteer to help.

Chuck - DFI has the ability under the statute, if the panel chooses, to issue interim licenses to loan originators on January 1, 2007, and give them 6 months to pass the test.

2. All education efforts will be done by professional associations. Only they can deliver that material. Did you say they need to be non-profit, because that would eliminate all other providers you've approved?

Chuck – All existing authorized course providers are only authorized through the existing section of WACs. We will soon be issuing new WACs. The professional organizations would contract with the people doing continuing education these days. DFI would only be responsible for determining that the association is providing a good overall curriculum.

3. The Commission is to be commended. A lot of good things are happening.

**Allal Amrani -**

1. Rules – He is an educator and owns a real estate school. He heard us talking about loan origination. His understanding is that we deal with mortgage residential loan origination. Any rules adopted shall state that, not loan originator. Sometimes rules tend to speak a language besides English. He doesn't want another association to sponsor his school. Why should you give control to somebody else to control him?
2. Testing – Promisor provides testing for the state of Texas anywhere in the United States. That would be easier.
3. It is unfair for current loan originators to have to take another exam. Loan originators who have been in the business should be grandfathered in. They should provide the following:
  - If they have closed loans within the last year.
  - Demonstrated that they have been in the business.

Jeffrey Lorsch said that grandfathering was seriously addressed. This is not the first state to license loan originators. In Utah 25% of their loan originators who took the test for the first time failed. We need to educate and re-educate.

4. He should have just read the information from the last 2 ½ hours, not have to sit and listen to it.
5. Independent contractors. It is stupid to allow loan originators to work for more than one broker. That is a conflict of interest to anybody who passed such a stupid law. If he sponsors a loan originator, he expects them to work for him and him only. The company will be liable for the loan originator's actions. That isn't fair. An independent contractor is a relationship between two individuals, not a third party. It should be between a broker and a residential mortgage loan originator.

6. He sent a recommendation online to DFI and did not receive a response. Why is that? To him, that is an insult. If he invests his time, he expects his time to be beneficial. Mortgage and real estate is his life.

Jeff Berglund suggested we have comments printed for the Panel meetings.

Chuck apologized for not responding. Maybe we will still respond. We will check to see if we even have his comments.

Chuck said that at least three-quarters of what he is asking for is established by law. This Panel doesn't have the authority to change them. Chuck explained that we cannot change the law through the rules.

**Shara Hayden -**

1. As a loan officer, she is in favor of testing everyone.
2. Her company discussed a double standard for mortgage brokers and loan originators vs. mortgage banker loan originators.

Laura Kiel said that mortgage bankers are exempt from this law. They are federally chartered.

3. It sounds like there is a lot of controversy regarding 1099 employees. We need to address the issue of applying for a new job and not wanting the old broker to have that information vs. working for multiple brokers.
4. She would like to view the loan originator's history.

Chuck doesn't know if the national database will have that ability, but he believes it will be possible by mid 2007.

**Ernie Clarion -**

1. Minimize the number of rules.
2. Independent contractors are "consultants." The names of their clients is no one else's business. Who you sell for, and what you sell is your business.
3. Provide a glossary of terms, bibliography, and sources for validation.

Chuck said the hyperlink suggestions are a great idea, but not always possible. (i.e. if you go to another site like the code reviser's office, there isn't the hyper linking capability). Maybe we could put hyperlinks in the adobe formatted examination manual. It could have hyperlinks to the rules and statutes with the ability to move around there.

4. Could you put a summary of rights of the borrower someplace? He knows it exists someplace.

By the way, he thinks everyone is doing a great job so far.

**Michelle Swanson -**

1. How many licensed mortgage brokers are there currently?

Chuck – Around 900 companies and 1300 branches.

2. How many loan originators are working for them?

Chuck – Our guess is 8,000.

3. Is licensing these loan originators going to help speed up the process for investigations? Is that going to provide funds for more investigators?

Chuck – No, we never get enough resources to do what we need to do. We will get about 10 new people.

5. How many examiners do you have at this time?

Chuck – Kwadwo Boateng said we have 17 examiners for four programs.

**Michelle Bigliatto -**

1. Are the Sub-panel meetings going to be open to the public?

Chuck – No, the Sub-panel meetings need to be efficient work sessions.

2. Commission applications – Are those positions going to be filled by January? Are you looking for two loan originators in the industry to serve now?

Chuck – We can't fill the two loan originator Commission positions until January 1, 2007, when they are authorized. We will send a notice to all licensees and interested parties around December 2006. There are three types of Commissioners: mortgage broker licensees, exempt from mortgage broker (mortgage banker), and loan originators.

**Mark Sullivan -**

1. Why does an originator need to hang his license at different shops?

Laura Kiel – Many mortgage brokers pay their staff under 1099s, through an independent contractor agreement, which technically says you can't have any control over them. The other area of thought is that there are companies that aren't FHA or VA approved. They operate under one license with one broker, but they might use another broker who handles FHA or VA.

2. He would like to see it more difficult, maybe more costly, for loan originators to hang their license at more than one location.

3. Do we have number projections of what we anticipate the pass/fail rate to be?

Chuck said we could have a different test for designated brokers and loan originators with the designated broker test being slightly harder. Or we could have the same test with different passing scores. It's up to the Panel to decide. He has no reason to think Washington will be any different

than other states that had a huge percentage fail the first time. DFI doesn't want to see a huge number of loan originators suddenly out of work. That would be an enforcement nightmare.

Jeff Berglund said Ohio lost 10% of the loan originators due to fraud or fraud related felony issues.

Jeffrey Lorsch doesn't want to lower the passing score. He wouldn't be proud to say that our loan originators got a 50% score and passed. We want to show that loan originators are more trained and have higher standards.

**Autumn Van Rooy -**

1. The roving loan originator needs to come at a premium. The point of licensing is to tighten things up and stop some of the issues we're having now.
2. The designated broker should be held to a much higher standard on the testing.
3. Great job.

**John Wilde -**

1. In a past job in another field, he worked with Jayco, an organization that audits files for you for a fee. That got you more funding and gave you more flexibility when it came time for a state audit. Those brokers who participate in this program and pay a fee to be audited don't have to be such a burden on the field examiners. He would be open to help pioneer such an organization.

Jeff Berglund – There are professional organizations that offer that now. The Washington Association of Mortgage Brokers (WAMB) and, through the national affiliate, offers designations for brokers.

Jeff – Our Panel isn't the one to address this issue.

**Chris Updike -**

1. He passed the Utah exam. He loves what we're doing. It will create less competition. He encourages us to only have people take tests within the Washington borders. Chris took the Utah exam through Promisor, and could take it throughout the country. He suggests we don't use a third party to administer the test. He suggests that people have to come to Washington to take the test.

Chuck said we have to be careful not to create a barrier to entry.

**Michelle Bigliatto -**

1. Those who participate in NAMB, NAPMW, and other associations hold themselves to a higher standard. It is time to raise the bar. New loan originators without years of experience should have to pay higher fees. Maybe there could be some type of a tiered level for fees based on experience.

**Guoxin Gong -**

1. Can realtors work for more than one company?

Laura – No. They are 1099 employees, but they can only work for one office.

Chuck – Realtors and insurance agents have a specific IRS exemption.

2. Can you put something in the agreement saying that you can only work for my company?

Chuck and Laura – Yes, that is not against the law.

End of public comment.

Jeffrey Lorsch – It is good to hear from loan originators. He suggests that we get agreement on which Sub-panel is working on each item. We need to prioritize items to make sure we work on the important ones first.

Chuck said in the upcoming meetings, you won't have to listen to him talk the entire meeting. This first meeting was to set up the process. Future meetings will be more like work sessions.

Laura – Should we meet with our Sub-panels right away?

Chuck – Yes. You should meet with your Sub-panels soon. Identify what you're going to work on. Each Commissioner should contact their DFI lead and set up a meeting. The Sub-panel should identify which areas fall into your Sub-panel.

Jeffrey – Some people have sent him letters and have given him phone calls saying they want to participate and help us. Are we okay bringing in others to work on the Sub-panels?

Catherine – We have to be careful about getting input/comments in the same format. It needs to be all at the same level, so it's on record and in the rulemaking file. Otherwise rules could be contested at some time.

Chuck – The Commissioner on the Sub-panel should have the authority to bring in an expert.

Catherine – Make sure you keep a record of the expert information.

Jeffrey – Are we allowed to bring in mortgage brokers or loan originators?

Chuck – Yes. He would just encourage the Commissioner to control it. Otherwise you'll have 25 loan originators on your Sub-panel!

Called to order: 2:10 p.m.

Adjourned: 4:55 p.m.